

**UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.<sup>1</sup>

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**JOINT STATUS REPORT OF MOVANT AMBAC ASSURANCE CORPORATION AND  
RESPONDENTS THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR  
PUERTO RICO, AS REPRESENTATIVE OF THE COMMONWEALTH OF PUERTO  
RICO, AND THE PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY  
AUTHORITY WITH RESPECT TO THE RULE 2004 MOTIONS**

---

<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801).

To the Honorable United States Magistrate Judge Judith Gail Dein:

Movant Ambac Assurance Corporation (“Ambac”) and Respondents the Financial Oversight and Management Board for Puerto Rico (the “Board”), as representative of the Commonwealth of Puerto Rico (the “Commonwealth” or “Debtor”) pursuant to section 315(b) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), and the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF” and, together with the Board, the “Government Parties”),<sup>2</sup> respectfully submit this Joint Status Report in response to the Court orders dated January 23, 2020 (Dkt. No. 10332), February 6, 2020 (Dkt. No. 10727), June 24, 2020 (Dkt No. 13488), and October 1, 2020 (Dkt No. 14442).

**I. PROCEDURAL BACKGROUND REGARDING AMBAC’S RULE 2004 REQUESTS**

1. On October 28, 2019, Ambac filed *Ambac Assurance Corporation’s Motion for Entry of Order Authorizing Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Assets* (Dkt. No. 9022) (the “Assets Motion”), and *Ambac Assurance Corporation’s Motion for Entry of Order Authorizing Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Cash Restriction Analysis* (Dkt. No. 9023) (the “Cash Motion” and, together with the Assets Motion, the “Rule 2004 Motions”).

2. On November 8, 2019, the Government Parties filed the *Urgent Motion of Financial Oversight and Management Board for Puerto Rico and Puerto Rico Fiscal Agency and Financial Advisory Authority to Strike (A) Ambac Assurance Corporation’s Motion for Entry of Order Authorizing Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Assets [ECF No. 9022] and (B) Ambac Assurance Corporation’s Motion for Entry of Order Authorizing*

---

<sup>2</sup> Ambac and the Government Parties are collectively referred to as the “Parties.”

*Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Cash Restriction Analysis [ECF No. 9023] and for Sanctions* (Dkt. No. 9131) (the “Motion to Strike”).

3. On January 23, 2020, Judge Swain issued a memorandum order denying the Motion to Strike (Dkt. No. 10332) (the “Memorandum Order”). The Memorandum Order directed the Parties to meet and confer by February 3, 2020 concerning the scope and mechanics of discovery responsive to the Rule 2004 Motions. *Id.* at 9.

4. Since the Memorandum Order was entered, the Parties have filed periodic status reports regarding their meet-and-confers. Most recently, on September 30, 2020, the Parties filed the *Joint Status Report of Movant Ambac Assurance Corporation and Respondents the Financial Oversight and Management Board for Puerto Rico, as Representative of the Commonwealth of Puerto Rico, and the Puerto Rico Fiscal Agency and Financial Advisory Authority with Respect to the Rule 2004 Motions* (Dkt. No. 14438) (the “September 30 Joint Status Report”). On October 1, 2020, the Court ordered the Parties to file an updated Joint Status Report by November 5, 2020 (ECF No. 14442).

## **II. THE PARTIES’ PROGRESS SINCE THE PREVIOUS UPDATE TO THE COURT**

5. Since the filing of the September 30 Joint Status Report, the Parties have continued to exchange correspondence<sup>3</sup> and met and conferred telephonically on November 2, 2020. The status of the Parties’ discussions is as follows:

---

<sup>3</sup> The Parties’ positions with regard to each of Ambac’s requests since the filing of the September 30 Joint Status Report are memorialized in the following correspondence: (i) Ambac’s email to the Government Parties dated October 23, 2020 (attached hereto as Exhibit A); (ii) Ambac’s letter to the Government Parties dated November 3, 2020 (attached hereto as Exhibit B); and (iii) AAFAF’s letter to Ambac dated November 5, 2020 (attached hereto as Exhibit C).

**A. Status of Assets Requests (Directed Principally to AAFAF)**

6. The Parties continue to negotiate in good faith regarding Ambac's Prioritized Assets Requests.

7. AAFAF's investigation into the following issues remain ongoing: (i) whether additional documents related to prioritized Commonwealth assets identified by Ambac exist; (ii) whether any supplemental certifications or analyses related to previously produced certifications submitted by Commonwealth instrumentalities in response to an AAFAF memorandum are available; (iii) whether any documents related to a 2017 unsolicited third-party offer to purchase CRIM's tax arrears portfolio, including the offer itself or any back-up material related thereto, are available, are relevant, and may be produced; and (iv) whether Puerto Rico law prevents CRIM from disclosing owner- and property-specific tax information to Ambac consistent with its obligations to preserve the confidentiality and privacy interests of individual taxpayer information, and whether such information is relevant, available, and would not be unduly burdensome or disruptive to the Government Parties' operations to provide. AAFAF has also directed Ambac in its November 5, 2020 letter to a publicly available request for proposals related to an ongoing effort to value CRIM's tax arrears portfolio.

8. On October 16, 2020, the Governor executed Executive Order 2020-077, which provides that government employees must adhere to the work plans established by their respective agencies. Work plans are recommended to limit in-person work and to encourage tele-commuting to the extent practical.

**B. Status of Cash Requests (Directed Principally to the Board)**

9. The Parties are continuing to negotiate in good faith regarding some of Ambac's Prioritized Cash Requests, but as previously reported, have reached an impasse on others.

***i. Update Regarding Requests as to Which the Parties Continue to Make Progress.***

10. The Government Parties identified the “Inventory of Central Government’s Bank Accounts” referenced in the Amended Disclosure Statement<sup>4</sup> and anticipate producing it on or before November 13, 2020.

11. The Board recently produced additional factual source materials and raw data underlying the *IFAT Report on Title III Bank Accounts* (the “Duff & Phelps Report”) and the two October 2, 2019 presentations prepared by Ernst & Young and PJT (the “October 2 Presentations”) that were previously withheld as privileged but subsequently determined to not be privileged.

12. On October 2, 2020, the Board produced a privilege log of documents withheld from its productions of factual source materials and raw data underlying the Duff & Phelps Report and October 2 Presentations. The Parties are continuing to discuss the privilege log, and the Board has agreed to respond to Ambac’s inquiries regarding the entries in the privilege log in forthcoming written correspondence.

***ii. Update Regarding Requests for Which the Parties Have Reached an Impasse.***

13. As stated in the September 1 Joint Status Report (ECF No. 14150) and the September 30 Joint Status Report (ECF No. 14438), the Parties have reached an impasse with regard to Ambac’s request for back-up materials containing, among other things, calculations made to create the Duff & Phelps Report and October 2 Presentations, including Microsoft Excel or other dynamic versions of summary charts and tables contained in those reports showing the mathematical tabulations and calculations that were performed to generate the summary charts and tables presented therein (the “Calculation Back-Up”). As noted in the September 30 Joint Status

---

<sup>4</sup> “Amended Disclosure Statement” refers to *Disclosure Statement for the Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al.* [ECF No. 11947].

Report (ECF No. 14438), the Parties have also reached an impasse regarding the production of documents that reflect the Board's advisors' review procedure and protocol for assessing classifications (the "Process Documents"), and communications between and among the Board and its advisors reflecting the processes, assumptions, and methodologies used to classify accounts (the "Process Communications").

14. As of the September 30 Joint Status Report, the Parties had agreed to continue discussions regarding whether the Board was willing to provide additional information regarding the specific advisors engaged in the process of classifying accounts as restricted or unrestricted and the timeframes such advisors were engaged in that process. The Board advised on the Parties' November 2, 2020 meet-and-confer that it would be willing to produce information regarding the nature and scope of the Process Communications. The Board will provide that information on or before November 16, 2020.

### **III. PROPOSED NEXT STEPS**

15. In light of the Board's commitment to providing any additional information it is willing to provide related to Ambac's request for Process Communications on or before November 16, 2020, the Parties believe it would be most efficient to present any disputes to the Court after the Board has provided such information so that the Court can evaluate any dispute with a concrete understanding of what has been produced.

16. Accordingly, the Parties would propose to have an additional meet-and-confer by November 20, 2020, and thereafter to submit an informative motion when the Parties are prepared to schedule briefing on unresolved issues as to which the Parties have reached an impasse. Additionally, the Parties would propose to submit a further status report to the Court on December 4, 2020.

Dated: November 5, 2020  
San Juan, Puerto Rico

**FERRAIUOLI LLC**

By: /s/ Roberto Cámara-Fuertes  
Roberto Cámara-Fuertes (USDC-PR No. 219002)  
Sonia Colón (USDC-PR No. 213809)  
221 Ponce de León Avenue, 5th Floor  
San Juan, PR 00917  
Telephone: (787) 766-7000  
Facsimile: (787) 766-7001  
Email: rcamara@ferraiuoli.com  
scolon@ferraiuoli.com

**MILBANK LLP**

By: /s/ Atara Miller  
Dennis F. Dunne (admitted *pro hac vice*)  
Atara Miller (admitted *pro hac vice*)  
Grant R. Mainland (admitted *pro hac vice*)  
John J. Hughes, III (admitted *pro hac vice*)  
Jonathan Ohring (admitted *pro hac vice*)  
55 Hudson Yards  
New York, NY 10001  
Telephone: (212) 530-5000  
Facsimile: (212) 530-5219  
Email: ddunne@milbank.com  
amiller@milbank.com  
gmainland@milbank.com  
jhughes2@milbank.com  
johring@milbank.com

***Attorneys for Ambac Assurance Corporation***

**PROSKAUER ROSE LLP**

By: /s/ Martin J. Bienenstock

Martin J. Bienenstock  
Margaret A. Dale  
Michael T. Mervis  
Julia D. Alonzo  
Laura Stafford  
(Admitted *Pro Hac Vice*)  
Eleven Times Square  
New York, NY 10036  
Tel: (212) 969-3000  
Fax: (212) 969-2900

**O'NEILL & BORGES LLC**

By: /s/ Hermann D. Bauer

Hermann D. Bauer (USDC No.  
215205)  
250 Muñoz Rivera Ave., Suite 800  
San Juan, PR 00918-1813  
Tel: (787) 764-8181  
Fax: (787) 753-8944

***Attorneys for the Financial Oversight and  
Management Board as representative of the  
Commonwealth***

**O'MELVENY & MYERS LLP**

By: /s/ Peter Friedman

John J. Rapisardi  
(Admitted *Pro Hac Vice*)  
7 Times Square  
New York, NY 10036  
Tel: (212) 326-2000  
Fax: (212) 326-2061

Peter Friedman  
(Admitted *Pro Hac Vice*)  
1625 Eye Street, NW  
Washington, DC 20006  
Tel: (202) 383-5300  
Fax: (202) 383-5414

Elizabeth L. McKeen  
Ashley M. Pavel  
(Admitted *Pro Hac Vice*)  
610 Newport Center Drive  
17th Floor  
Newport Beach, California 92660  
Tel: (949) 823-6900  
Fax: (949) 823-6994

**MARINI PIETRANTONI MUÑIZ LLC**

By: /s/ Luis C. Marini-Biaggi

Luis C. Marini-Biaggi  
USDC No. 222301  
Email: lmarini@mpmlawpr.com  
Carolina Velaz-Rivero  
USDC No. 300913  
Email: cvelaz@mpmlawpr.com  
250 Ponce de León Ave.  
Suite 900  
San Juan, Puerto Rico 00918  
Tel: (787) 705-2173  
Fax: (787) 936-7494

***Attorneys for the Puerto Rico Fiscal  
Agency and Financial Advisory Authority***



**CERTIFICATE OF SERVICE**

I hereby certify that on this same date a true and exact copy of this notice was filed with the Clerk of Court using the CM/ECF system, which will notify a copy to counsel of record.

/s/ Roberto Cámara-Fuertes

Roberto Cámara-Fuertes (USDC-PR No. 219002)

221 Ponce de León Avenue, 5th Floor

San Juan, PR 00917

Telephone: (787) 766-7000

Facsimile: (787) 766-7001

Email: rcamara@ferraiuoli.com